MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BAC1054 – PRINCIPLES OF MANAGEMENT ACCOUNTING

(All sections / Groups)

6 JULY 2023
9.00 am –11.00 am
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 5 pages excluding cover page with 4 Questions only.
2. Answer **ALL** questions.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Part A

Financial and managerial accounting are both concerned with the economic events of an enterprise. Similarities between financial and managerial accounting do exist, but they do have a different focus. Briefly assess the differences between financial and managerial accounting as they relate to:

(a) the primary users,
(b) the frequency of reports, and
(c) the purpose of the reports.

(6 marks)

Part B

Mr. Chong is considering opening car service centres in a few strategic locations in the Klang Valley. He estimates that the following costs will be incurred during the first year of operations: annual rent of RM100,000, annual depreciation on equipment of RM80,000, and annual wages of RM150,000. The cost of engine oil per car service is RM144.90. Oil filters will cost RM11.90 for each car service. The cost of drain plug gasket per car service is RM3.80. Mr. Chong must also pay a franchise fee of RM5 per car service since he will operate the business as a franchise. In addition, utility costs are expected to behave in relation to the number of car services as follows:

Number of oil changes	Utility Costs
8,000	RM12,000
12,000	RM14,000
18,000	RM20,000
24,000	RM24,000
28,000	RM30,000

Mr. Chong anticipates that he can provide the oil change service at RM200 per car service.

Required:

(a) Using the high-low method, compute variable costs per litre and fixed costs, for utility costs.

(7 marks)

(b) Compute unit variable costs and total fixed costs of the car service centres.

(9 marks)

(c) Compute the break-even point in number of car services using the contribution margin technique (round up your answer to the nearest number).

(3 marks)

[TOTAL 25 MARKS]

Continued.....

QUESTION 2

Part A

The gross earnings of factory workers of Goody Sdn. Bhd. during the month of July are RM800,000. The employer's payroll taxes for the factory payroll are RM160,000. Of the total accumulated cost of factory labor, 75% is related to direct labor and 25% is attributable to indirect labor.

Required:

(a) Prepare the entry to record the factory labor costs for the month of July.

(3 marks)

(b) Prepare the entry to assign factory labor to production.

(3 marks)

(c) Prepare the entry to assign manufacturing overhead to production, assuming the predetermined overhead rate is 120% of direct labor cost.

(2 marks)

Part B

Shmol Sdn. Bhd. has gathered the following information.

Units in beginning work in process	30,000
Units started into production	130,000
Units in ending work in process	40,000
Percent complete for conversion costs in ending work in process	25%
Costs incurred:	
Direct materials	RM350,000
Direct labor	RM460,000
Overhead	RM60,000

Materials are added at the beginning of the process.

Required:

(a) Compute equivalent units of production for materials and for conversion costs.

(3 marks)

(b) Compute the unit costs of production (round up your answer to two decimal points).

(3 marks)

(c) Show the assignment of costs to units transferred out and in process.

(3 marks)

Continued.....

Part C

Vidhya and Associates, a law firm, employs activity-based costing. The following budgeted data for each of the activity cost pools is provided for the year 2022.

Activity Cost Pool	Estimated Overhead Cost	Expected Use of Cost Drivers per Activity
Researching legal issues	RM60,000	2,000 research hours
Writing contracts	RM450,000	30,000 document pages
Meeting with clients	RM1,800,000	9,000 meeting hours
Litigating a case in court	RM3,000,000	12,000 professional hours

During 2022 the firm worked 1,800 research hours, prepared 25,000 document pages, conducted 3,000 meeting hours and worked 11,500 professional hours.

Required:
Compute the total overhead applied during 2022.

(8 marks)

[TOTAL 25 MARKS]

QUESTION 3

Part A

GRM Manufacturing had RM150,000 of net income in 2022 when the selling price per unit was RM100, the variable costs per unit were RM70, and the fixed costs were RM510,000. Management expects per unit data and total fixed costs to remain the same in 2023. The president of GRM Manufacturing is under pressure from shareholders to achieve a net income of RM210,000 in 2023.

Required:

(a) Using the mathematical equation technique, compute the number of units sold in 2022.

(6 marks)

(b) Using the contribution margin technique, compute the number of units that would have to be sold in 2023 to reach the shareholders' desired profit level.

(6 marks)

(c) Assume that GRM Manufacturing sells the same number of units in 2023 as it did in 2022, fixed costs were reduced to RM450,000 and unit variable cost is RM80. Using the contribution margin technique, compute the unit selling price in order to reach the shareholders' desired profit level in 2023.

(8 marks)

Continued.....

Part B

Produce a brief explanation of:

(a) opportunity cost,

(1 mark)

(b) incremental analysis,

(1 mark)

(c) sunk cost,

(1 mark)

(d) relevant costs, and

(1 mark)

(e) incremental revenue

(1 mark)

[TOTAL 25 MARKS]

QUESTION 4

Part A

i. You just joined Fresh Sdn Bhd. The company uses the traditional budgeting system. In the next town hall meeting, you would like to propose the company to use the participative budgeting system instead. Prepare the following information on participative budgeting before the meeting:

(a) definition of participative budgeting,

(2 marks)

(b) its potential benefit, and

(1 mark)

(c) its potential shortcoming.

(1 mark)

ii. Blitz Corp. makes and sells a single product, widgets. Blitz Corp. plans to sell 50,000 widgets in September. It forecasts sales to increase by 5% every month. The budgeted unit selling price is RM10. However, the company plans to sell the widgets for RM15 each in November due to expected increase in demand for the widgets in that month. The company sells all produced widgets every month. When producing the widgets, Blitz Corp. believes it can meet future sales needs with an ending inventory of 10% of next month's budgeted sales volume.

Required:

(a) Prepare a sales budget for the months of September, October, and November.

(6 marks)

(b) Prepare a production budget for the months of September, October, and November (round up your answer to the nearest number).

(7 marks)

Continued.....

Part B

Zero Sdn. Bhd. manufactures one product called LX. The company uses a standard cost system and sells each LX for RM8. At the start of monthly production, the company estimates 9,500 units of LX would be produced in March 2023. The company has established the following material and labour standards to produce one LX:

	Standard Quantity	Standard Price
Direct materials	2.5 pounds	RM3 per pound
Direct labor	0.6 hours	RM10 per hour

During March 2023, the following activities were recorded by the company relating to the production of LX:

- The company produced 9,000 units during the month.
- A total of 24,000 pounds of materials were purchased at a cost of RM66,000.
- A total of 24,000 pounds of materials were used in production.
- 5,000 hours of labor were incurred during the month at a total wage cost of RM55,000.

Required:

Compute the following variances for the month of March 2023 for Zero Sdn. Bhd.

(a) Materials price variance

(2 marks)

(b) Materials quantity variance

(2 marks)

(c) Labour price variance

(2 marks)

(d) Labour quantity variance

(2 marks)

[TOTAL 25 MARKS]

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